President Franklin D. Roosevelt on Social Security

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Author: President Franklin D. Roosevelt
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Summary Overview

Social security, which many Americans take for granted today, was not in place until the 1930s. This program, which provides financial assistance to retirees, disabled individuals, and survivors of deceased workers while also helping to ensure general economic security, is significant in the history of American liberalism because it reflects a shift toward government intervention to promote social welfare and economic equality. Established during the New Deal era in the 1930s, it exemplifies liberal ideals of using government programs to address social issues and support the vulnerable, thereby shaping the modern welfare state in the United States.

As President Franklin D. Roosevelt (FDR) entered the third year of his presidency, he and his advisors faced an economy still in the midst of the deepest recession of the twentieth century, the Great Depression. Compounding this were unusually dry conditions, the Dust Bowl, which destroyed many Midwestern farms, adding many thousands more to those in poverty. The mixture of urban and rural unemployment created a situation in which many older individuals no longer had the ability to support themselves, and their families did not have the resources to assist them. The proposed national Social Security system, which would pay retirement benefits based upon contributions made while working, would be a major step toward ending poverty among senior citizens. This revolutionized the concept of retirement in America. In addition, Roosevelt proposed a standardized unemployment compensation system to be administered by the states, as well as grants to states for the assistance of children in need. Although this assistance was targeted at just these three areas, the overall social and political impact of the legislation proposed by Roosevelt, and passed by Congress, cannot be overstated.

Defining Moment

Although an economic slump had begun during the summer of 1929, the stock market crash of October 1929 focused everyone's attention on the economy and destroyed the optimistic outlook that had prevailed during most of the 1920s. President Hoover incorrectly believed that this would be a short-lived downturn. With rising unemployment and a slumping economy, Hoover lost the 1932 presidential election to Franklin Roosevelt, who campaigned on a promise that he would give a New Deal to Americans. The 25 percent unemployment rate was a major focus of Roosevelt's early legislative efforts. His programs, as well as a slowly recovering economy, caused a major reduction in unemployment. However, one significant demographic sector remained in serious trouble. The poverty rate for older Americans was about 50 percent. Between urban economic problems in the manufacturing sector and poor agricultural prospects because of the Dust Bowl, it was unlikely that older people could re-enter the labor market. The stock market and financial crisis of the past few years had wiped out the savings of many. In Roosevelt's view, a program to raise older Americans out of poverty, at that time and in the future, was needed.

He proposed the creation of the Social Security program, initially funded by the government, with future beneficiaries' benefits paid by their own contributions. This was to be a radically new program for the United States, changing the old pattern of individual or family support for those who were no longer able to work. Having been elected in 1932, and with the Democratic Party also getting a large majority in both houses of Congress in both the 1932 and 1934

President Roosevelt signs Social Security Act, August 14, 1935. Standing are Rep. Robert Doughton (D-NC); unknown person in shadow; Sen. Robert Wagner (D-NY); Rep. John Dingell (D-MI); Rep. Joshua Twing Brooks (D-PA); the Secretary of Labor, Frances Perkins; Sen. Pat Harrison (D-MS); and Rep. David Lewis (D-MD). Photo via Wikimedia Commons. [Public domain.]

elections, Roosevelt could get virtually all of his legislation passed without significant problems. This included the Social Security program. The system, along with funding for those who were already at retirement age, was authorized and signed into law in August 1935. While slightly increasing the national debt to meet the needs of the first recipients, the program, in its initial years, dramatically reduced the number of older Americans living in poverty. The unemployment compensation program that was part of the legislation also helped ensure that workers losing a job would have a minimum level of support, as would children in need. While passage of the law was part of Roosevelt's plan to stimulate the economy, he and the program's backers hoped that old-age security and unemployment benefits would help keep such depressions from recurring in the future.

Normally, it is only under unusual circumstances that landmark legislation like the Social Security Act can pass into law and be accepted. The year 1935 allowed for such momentous legislation because of the single-party majority and the will of political leaders to address not only current problems, but likely future problems as well.

Author Biography

Franklin Delano Roosevelt (1882–1945) from Hyde Park, New York, was the thirty-second president of the United States. He married Anna Eleanor Roosevelt in 1905, and they had six children. Franklin began his political career in 1910 as a New York state senator, later serving as assistant secretary of the Navy and governor of New York prior to his being elected president in 1932. The early 1920s brought two low points in his life: being the losing vice presidential candidate in 1920 and being stricken by polio in 1921. He was the first person with a major disability to be elected president. (He never regained full use of his legs.) His economic policies, as governor, were the foundation for his presidential campaign. Roosevelt transformed the nation through his aggressive agenda to restore the economy. In addition to the Social Security and unemployment programs, Roosevelt transformed the laws regulating the banking system, stock trading, farm price supports, and the mortgage process and devised a temporary means to employ idle workers through the Civilian Conservation Corp (CCC) and Works Progress Administration (WPA). He supported the nations fighting Germany in World War II and, once the United States entered the war in 1941, was very active in overseeing military operations.

Historical Document

President Franklin D. Roosevelt on Social Security

[President's Message to Congress on Social Security, January 17, 1935]

In addressing you on June eighth, 1934, I summarized the main objectives of our American program. Among these was, and is, the security of the men, women, and children of the Nation against certain hazards and vicissitudes of life. This purpose is an essential part of our task. In my annual message to you I promised to submit a definite program of action. This I do in the form of a report to me by a Committee on Economic Security, appointed by me for the purpose of surveying the field and of recommending the basis of legislation.

I am gratified with the work of this Committee and of those who have helped it: The Technical Board on Economic Security drawn from various departments of the Government, the Advisory Council on Economic Security, consisting of informed and public spirited private citizens and a number of other advisory groups, including a committee on actuarial consultants, a medical advisory board, a dental advisory committee, a hospital advisory committee, a public health advisory committee, a child welfare committee and an advisory committee on employment relief. All of those who participated in this notable task of planning this major legislative proposal are ready and willing, at any time, to consult with and assist in any way the appropriate Congressional committees and members, with respect to detailed aspects.

It is my best judgment that this legislation should be brought forward with a minimum of delay. Federal action is necessary to, and conditioned upon, the action of States. Forty-four legislatures are meeting or will meet soon. In order that the necessary State action may be taken promptly it is important that the Federal Government proceed speedily.

The detailed report of the Committee sets forth a series of proposals that will appeal to the sound sense of the American people. It has not attempted the impossible, nor has it failed to exercise sound caution and consideration of all of the factors concerned: the national credit, the rights and responsibilities of States, the capacity of industry to assume financial responsibilities and the fundamental necessity of proceeding in a manner that will merit the enthusiastic support of citizens of all sorts.

It is overwhelmingly important to avoid any danger of permanently discrediting the sound and necessary policy of Federal legislation for economic security by attempting to apply it on too ambitious a scale before actual experience has provided guidance for the permanently safe direction of such efforts. The place of such a fundamental in our future civilization is too precious to be jeopardized now by extravagant action. It is a sound idea—a sound ideal. Most of the other advanced countries of the world have already adopted it and their experience affords the knowledge that social insurance can be made a sound and workable project.

Three principles should be observed in legislation on this subject. First, the system adopted, except for the money necessary to initiate it, should be self-sustaining in the sense that funds for the payment of insurance benefits should not come from the proceeds of general taxation. Second, excepting in old-age insurance, actual management should be left to the States subject to standards established by the Federal Government. Third, sound financial management of the funds and the reserves, and protection of the credit structure of the Nation should be assured by retaining Federal control over all funds through trustees in the Treasury of the United States.

At this time, I recommend the following types of legislation looking to economic security:

1. Unemployment compensation.

2. Old-age benefits, including compulsory and voluntary annuities.

3. Federal aid to dependent children through grants to States for the support of existing mothers' pension systems and for services for the protection and care of homeless, neglected, dependent, and crippled children.

4. Additional Federal aid to State and local public health agencies and the strengthening of the Federal Public Health Service. I am not at this time recommending the adoption of so called "health insurance," although groups representing the medical profession are cooperating with the Federal Government in the further study of the subject and definite progress is being made.

With respect to unemployment compensation, I have concluded that the most practical proposal is the levy of a uniform Federal payroll tax, ninety per cent of which should be allowed as an offset to employers contributing under a compulsory State unemployment compensation act. The purpose of this is to afford a requirement of a reasonably uniform character for all States cooperating with the Federal Government and to promote and encourage the passage of unemployment compensation laws in the States. The ten per cent not thus offset should be used to cover the costs of Federal and State administration of this broad system. Thus, States will largely administer unemployment compensation, assisted and guided by the Federal

Government. An unemployment compensation system should be constructed in such a way as to afford every practicable aid and incentive toward the larger purpose of employment stabilization. This can be helped by the intelligent planning of both public and private employment. It also can be helped by correlating the system with public employment so that a person who has exhausted his benefits may be eligible for some form of public work as is recommended in this report. Moreover, in order to encourage the stabilization of private employment, Federal legislation should not foreclose the States from establishing means for inducing industries to afford an even greater stabilization of employment.

In the important field of security for our old people, it seems necessary to adopt three principles: First, non-contributory old-age pensions for those who are now too old to build up their own insurance. It is, of course, clear that for perhaps thirty years to come funds will have to be provided by the States and the Federal Government to meet these pensions. Second, compulsory contributory annuities that in time will establish a self-supporting system for those now young and for future generations. Third, voluntary contributory annuities by which individual initiative can increase the annual amounts received in old age. It is proposed that the Federal Government assume one-half of the cost of the old-age pension plan, which ought ultimately to be supplanted by self-supporting annuity plans.

The amount necessary at this time for the initiation of unemployment compensation, old-age security, children's aid, and the promotion of public health, as outlined in the report of the Committee on Economic Security, is approximately one hundred million dollars.

The establishment of sound means toward a greater future economic security of the American people is dictated by a prudent consideration of the hazards involved in our national life. No one can guarantee this country against the dangers of future depressions but we can reduce these dangers. We can eliminate many of the factors that cause economic depressions, and we can provide the means of mitigating their results. This plan for economic security is at once a measure of prevention and a method of alleviation.

We pay now for the dreadful consequence of economic insecurity—and dearly. This plan presents a more equitable and infinitely less expensive means of meeting these costs. We cannot afford to neglect the plain duty before us. I strongly recommend action to attain the objectives sought in this report.

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[President's Statement upon Signing the Social Security Act,

August 14, 1935]

Today a hope of many years' standing is in large part fulfilled. The civilization of the past hundred years, with its startling industrial changes, has tended more and more to make life insecure. Young people have come to wonder what would be their lot when they came to old age. The man with a job has wondered how long the job would last.

This social security measure gives at least some protection to thirty millions of our citizens who will reap direct benefits through unemployment compensation, through old-age pensions and through increased services for the protection of children and the prevention of ill health.

We can never insure one hundred percent of the population against one hundred percent of the hazards and vicissitudes of life, but we have tried to frame a law that will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age.

This law, too, represents a cornerstone in a structure that is being built but is by no means complete. It is a structure intended to lessen the force of possible future depressions. It will act as a protection to future Administrations against the necessity of going deeply into debt to furnish relief to the needy. The law will flatten out the peaks and valleys of deflation and of inflation. It is, in short, a law that will take care of human needs and at the same time provide the United States an economic structure of vastly greater soundness.

I congratulate all of you ladies and gentlemen, all of you in the Congress, in the executive departments and all of you who come from private life, and I thank you for your splendid efforts in behalf of this sound, needed and patriotic legislation.

If the Senate and the House of Representatives in this long and arduous session had done nothing more than pass this Bill, the session would be regarded as historic for all time.

Glossary

offset: in this case, reducing one's federal unemployment tax payment by substituting (offsetting) payments to one's state for unemployment compensation

vicissitudes: changes in life, for better or worse

Document Analysis

The legislation proposed by Franklin D. Roosevelt was one of the most important pieces of legislation in the modern history of American government. Since its inception in 1935, the Social Security system has affected virtually every American citizen. While not touching as many lives directly as Social Security, the strengthening of the system for unemployment compensation and federal aid to children in difficult circumstances have also been important down through the decades. Together, these provisions served to create a safety net upon which many people have depended on in the past and continue to depend on today.

In June of 1934, Roosevelt began the process of developing what would become the Social Security system when he announced the appointment of five cabinet members to be the Committee on Economic Security, charged with developing plans for the system. With wide-ranging input, including a study of the world's first public pension system in Germany, the Committee drew up a proposal that Roosevelt then forwarded to Congress with the first message reproduced here (Jan. 17). As stated in his third paragraph, Roosevelt pressed for prompt passage.

Although resistance to federal deficit spending was not as strong in 1935 as it has been in some eras, a substantial deficit had been created during the first years of the Great Depression owing, in part, to the implementation of programs designed to stimulate the economy. Thus, Roosevelt emphasized that this new retirement program would be self-supporting. The principal regarding self-support limited what could be accomplished because Roosevelt did not want to have future government actions "jeopardized by extravagant action" in the present. Thus, the new "old-age benefits" would be funded by "compulsory" contributions by workers (in the form of paycheck withholdings). In the minds of those who developed the basic plan, this was a key provision for public acceptance of the program and long-term stability.

However, in order to meet the needs of poverty-stricken older Americans in 1935, a second program had to be included in the proposal. This was the "non-contributory old-age pensions" given to those already sixty-five or older. The legislation established a temporary state-administered program, with money given to the states by the federal government for the welfare of senior citizens. This money is included in the "one hundred million dollars" mentioned in the speech. Most of the money not needed for old-age benefits was slated for "children's aid" and health initiatives. The unemployment compensation plan, like Social Security, was an insurance-style program with a "payroll tax" collected to fund much of its cost. Although it would not help individuals who had previously lost their jobs, a system for assisting those who became unemployed in the future was seen as a major step toward reducing "the dangers of future depressions."

The second statement here (August 14), written seven months after the first, was made when Roosevelt signed the bill into law. This brief statement encompasses Roosevelt's hopes that this legislation might assist the "average citizen" to cope with unfortunate circumstances in the future. As he recognized, the law did not achieve everything that might have been desired, but it did create a strong economic foundation on which people could and have relied.

Essential Themes

When Roosevelt set out this proposal, it was a means to address the economic situation for the nation and for individual citizens. The input given him by his advisors (the Committee on Economic Security) supplied the basis for a plan to relieve some of the economic worries faced by people as the country went through the Great Depression and gradually shifted from a predominantly rural to a predominantly urban citizenry. Historically, that is, individuals with economic problems were commonly assisted by the extended family, the members of which often lived on the same farm or in the same rural community. With the shift to an increasingly urban population, the traditional form of assistance was no longer available to everyone. The proposal, therefore, was intended to help persons in need and to bolster the national economy at the same time. Children too young to fend for themselves, people who became unemployed through no fault of their own, and older Americans not able to participate in the workforce were the subjects of this legislation. State programs for the first two categories were to be strengthened through the addition of federal funds and regulations. The first two (for children and unemployed) used general tax dollars, while the third (for retirees) would be an insurance-style program with charges made to working individuals and their employers. The latter premiums or contributions would give the system a solid foundation without adding to the federal budget deficit, even in times of an economic downturn. While there have been times of greater and lesser support for both of these programs, neither has been repealed.

It is the retirement portion of the legislation that has most benefitted the general population. Although certain categories of workers (farm workers, state teachers) have long been exempt, the vast majority of working Americans have been covered by the retirement system that started collecting contributions in 1937. The success of the Social Security system as a whole has been remarkable. While many changes have been made to the system, and many others have been proposed since it was implemented, there has never been a widespread movement to totally abolish the Social Security system (though libertarians and Tea Party activists have begun to question its workings). Although Social Security alone has not allowed most people to keep their pre-retirement standard of living, it has provided a basic monthly income for most retirees. Thus, this section of the law has allowed workers and their families to continue to have an acceptable standard of living in retirement while not unduly burdening others.

—Donald A. Watt, PhD

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